

No. 10-____

IN THE
Supreme Court of the United States

LAWRENCE B. LOCKWOOD and PANIP, LLC,
Petitioners,

v.

SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP,
JONATHAN HANGARTNER, and STEVE P. HASSID,
Respondents.

**On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

This Court held in *Buckman Co. v. Plaintiffs' Legal Comm.*, 531 U.S. 341 (2001), that federal law impliedly preempted a novel state-law tort claim of fraud against a federal agency. Subsequently, it granted review to resolve a conflict in the lower courts concerning *Buckman's* preemptive reach, but the judgment was affirmed by an equally divided Court. See *Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008).

The question presented is:

Whether under the implied preemption principles in *Buckman*, federal patent law bars an aggrieved patent owner-plaintiff from asserting a state law claim seeking relief for harm to patent property rights caused by a private party maliciously initiating a sham administrative patent reexamination proceeding before the U.S. Patent and Trademark Office, where “fraud on the agency” is not an element of the claim, and where the agency itself cannot remedy the harm addressed by state law.

RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, undersigned counsel states that Lawrence B. Lockwood is an individual, and PanIP, LLC is a California limited liability company that has no parent company and does not issue stock.

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PETITION FOR WRIT OF CERTIORARI

Lawrence B. Lockwood and PanIP, LLC (collectively, “Lockwood” or “Petitioners”) respectfully petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The order of the United States Court of Appeals for the Federal Circuit denying Petitioner’s petition for rehearing and for rehearing en banc was entered on January 28, 2011. App. 3a-4a. The underlying order of the Court of Appeals was issued on November 15, 2010, and is reprinted at *Lockwood v. Sheppard*,

Mullin, Richter & Hampton, LLC, No. 2010-1189, 2010 WL 4721220 (Fed. Cir. Nov. 15, 2010); App. 1a-2a. The decision and order of the United States District Court for the Central District of California is reproduced at App. 5a-29a. The judgment entered by the district court pursuant to its opinion is reproduced at App. 30a-31a.

JURISDICTION

The United States Court of Appeals for the Federal Circuit entered judgment on November 15, 2010. App. 1a-2a. The Federal Circuit denied Petitioners' Combined Petition for Panel Rehearing and for Rehearing En Banc on January 28, 2011. App. 3a-4a. The jurisdiction of this Court rests on 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUORY PROVISIONS INVOLVED

This case involves the Supremacy Clause of the United States Constitution, Article VI, Clause 2. App. 32a.

This case also involves provisions of the Patent Act, 35 U.S.C. § 1 *et seq.* The pertinent provisions for purposes of this petition are (a) Sections 301 through 307, which set forth the statutory provisions for patent reexamination, App. 34a-38a; and (b) Section 32, which sets forth the statutory provision for suspension and exclusion from practice before the PTO, App. 33a.

STATEMENT OF THE CASE

The Federal Circuit affirmed a district court judgment applying the preemption principles in *Buckman Co. v. Plaintiffs' Legal Comm.*, 531 U.S. 341 (2001), in the context of the PTO, to bar state law malicious

prosecution claims based on allegedly fraudulent and “sham” reexamination requests against Petitioner, an inventor and patent owner.¹ Guidance from this Court is necessary because the harm alleged here is not *sui generis*, but will reoccur, and if patent holders are barred from relief for marketplace harm caused by “sham” PTO proceedings, the value of patent protection will be undermined nationwide.²

Reexamination

Federal law permits competitors to request that the PTO commence a form of administrative review,

¹ The jurisdiction of the district court was invoked under 28 U.S.C. § 1338 because Petitioners’ state law malicious prosecution claim, *inter alia*, arose under the federal patent laws and was therefore subject to the exclusive original jurisdiction of the federal district courts. See *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 93 Cal. Rptr. 3d 220, 229 (Cal. Ct. App. 2009).

² PTO statistics show that 1,061 requests for *ex parte* and *inter partes* patent reexamination proceedings were filed in FY2010, compared to 3,301 patent cases filed in district courts. See *Ex Parte Reexamination Filing Data*, U.S.P.T.O., 1 (Dec. 31, 2010), available at http://www.uspto.gov/patents/stats/EP_quarterly_report_Dec_2010.pdf; *Inter Partes Reexamination Filing Data*, U.S.P.T.O., 1 (Dec. 31, 2010), available at http://www.uspto.gov/patents/stats/IP_quarterly_report_Dec_2010.pdf; see also Table C-2. U.S. District Courts—Civil Cases by Jurisdiction and Nature of Suit, During the 12-Month Period Ending September 30, 2009 and 2010, U.S. Courts, 146 (Sept. 2010), available at <http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/C02Sep10.pdf>. If “the most-litigated patents are also the most-valuable patents,” this holds true for patents undergoing reexamination, where as many as 70% of the patents challenged by third parties are known to be in litigation. See John R. Allison et al., *Extreme Value or Trolls On Top? The Characteristics of the Most Litigated Patents*, 158 U. Pa. L. Rev. 1, 28 (2009); see also *Inter Partes Reexamination Filing Data*, *supra*, at 1.

known as a patent reexamination proceeding, in order to reexamine the validity of an issued patent. See 35 U.S.C. §§ 301-307 (2006). Reexamination may be requested to challenge the novelty or obviousness of a patent, and the statute provides that “[a]ny person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title.” 35 U.S.C. § 302 (App. 34a-35a). Congress established the legal standard which must be met before the PTO will grant the reexamination request and initiate formal proceedings, requiring a written submission from the petitioner showing that the prior art submitted therewith raises a “substantial new question of patentability.” 35 U.S.C. §§ 303-304 (App. 35a).

Reexamination proceedings, like the patent application process, carry with them the potential for deceptive conduct, though in the reexaminations here the alleged misconduct was perpetrated not against the public with the aim of obtaining a wrongful monopoly, but against the *inventor* with the aim of depriving him of his patent. See Anthony H. Handal, *Re-Examination: Some Tactical Considerations—A Private Practitioner’s Viewpoint*, 9 AIPLA Q.J. 249, 251 (1981) (“Like other forms of action under the patent law, the new reexamination procedure is susceptible to substantial misuses”). During reexamination, the patentee must endure grave doubts in the marketplace regarding his very entitlement to the patent. See *Bruning v. Hirose*, 161 F.3d 681, 685 (Fed. Cir. 1998) (reexamination carries a “stigma or uncertainty regarding entitlement to the patent”). Thus, just as unscrupulous applicants can harm the public by obtaining a patent through fraud on the PTO (known as “inequitable conduct”), an inventor’s

competitors can deprive him of the economic benefits his patent rights would otherwise have afforded him by subjecting his patent to baseless reexamination proceedings before the PTO.³

Here, the lower court applied *Buckman's* “fraud on the agency” preemption theory to a domain traditionally reserved for the states, which have long protected property rights against anticompetitive harm, just as they have protected citizens from baseless litigation.

Basis of the Case

This action arises out of Respondents’ deceptive and malicious instigation of reexamination proceedings before the PTO, which Sheppard, Mullin, Richter, and Hampton and individual attorneys of the firm (“Sheppard Mullin” or “Respondents”) are alleged to have initiated without a reasonable basis, in a fraudulent and deceptive manner, and with the aim of depriving Petitioner, the patent holder and an inventor of computerized sales systems, of his right to enjoy the fruits of two of his patents.

Petitioner Lockwood, a pioneer inventor of interactive information systems, has been granted ten U.S. patents in the fields of multimedia computer networking and electronic commerce technologies

³ And as one member of the Senate Judiciary Committee recently explained, merely to mount a defense of one’s patent in a reexamination proceeding “routinely costs a patent owner hundreds of thousands of dollars in legal fees” and “many smaller companies, universities, and others, when faced with these costs will simply abandon their patent because they lack money to defend themselves.” See Sen. Jon Kyl, Remarks at Executive Business Meeting of the Senate Judiciary Committee, 17:00-17:26, (Mar. 31, 2009), http://judiciary.senate.gov/webcast/judiciary_03312009-1000.ram.

since 1982. Several of his patents teach cutting-edge technology, as demonstrated by the fact that the PTO has cited the Lockwood patent family in over 1,100 subsequently issued U.S. patents. Mr. Lockwood's patents are so integral to modern electronic commerce that they are tempting targets for infringement by large, well-funded commercial entities.

In 1996 and 2001, the PTO issued U.S. Patent Nos. 5,576,951 and 6,289,319 (together, the "Lockwood Patents"), respectively, to Lockwood. In 2002, to enforce and market his property rights, Lockwood formed PanIP, to which he exclusively licensed his patent portfolio. Thereafter, PanIP successfully licensed the Lockwood Patents as part of a comprehensive licensing business program. By mid-May 2003, Petitioner had entered into licensing relationships with over twenty-five companies, headquartered in fifteen different states, and was in negotiations with many others.

Respondents filed the alleged sham and deceptive petitions with the aim of depriving Petitioner of his right to enjoy the fruits of his patents. *See* Compl. ¶¶ 71, 82 (quoting Respondents' stated wish to "put this guy [Lockwood and PanIP] out of business" and alleging that the instigation of baseless PTO proceedings was undertaken for this purpose). The complaint alleged, and expert testimony in support of the allegations was submitted to the district court, that misrepresentations of "prior art" references were made by Sheppard Mullin to the PTO and that their requests for reexamination were filed without basis in fact or law. For example, as attested to in an expert declaration, the "Electronic Mall" manual, submitted by Respondents in support of their request for reexamination and misrepresented by them as

“prior art,” could not have raised a “substantial new question of patentability” as required by law because it was an unpublished, confidential manual dated well after the date at which it might have been available as prior art to the ‘319 Patent under any reasonable construction of federal patent law.

Petitioner further alleged that as a direct and intended result of the meritless and misleading sham reexamination requests, reexamination proceedings were instituted by the PTO and a “cloud” was effectively placed over the Lockwood Patents, denying Petitioner the ability to license, sell, or enforce his property rights during a key period of extreme market growth in electronic commerce. *See In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397 (Fed. Cir. 1996) (“[U]nwarranted reexaminations can harass the patentee and waste the patent life”). With no income or resources from his life’s work, Lockwood was financially coerced into dropping his licensing and enforcement program to defend the Lockwood Patents. The harm to Petitioner Lockwood’s property rights was severe.

More than four years after the Respondents requested reexamination, after incurring financially crippling costs defending the validity of his Patents, Petitioner prevailed completely before the PTO, with his Patents confirmed as valid at the conclusion of reexamination proceedings in July 2007 and January 2008.

On July 15, 2009, Petitioner Lockwood filed suit in the U.S. District Court for the Central District of California asserting state law claims of malicious prosecution, fraud, and interference with prospective economic advantage, based on 28 U.S.C. § 1338, after the California Court of Appeal had held that those

state claims arise under the federal patent laws and are therefore subject to exclusive federal jurisdiction. *See Lockwood*, 93 Cal. Rptr. 3d at 229 (dismissing Lockwood’s state court complaint for lack of jurisdiction because claims “require[] resolution of substantial issues of patent law, [and the complaint] is subject to the exclusive jurisdiction of the federal courts”).

On November 24, 2009, without opportunity for oral argument or any discovery or other proceedings on the merits, the district court granted Defendants’ Motion to Dismiss, with prejudice, on the basis of Fed. R. Civ. P. 12(b)(6) and dismissed the complaint, holding, *inter alia*, that Petitioner’s malicious prosecution claim was preempted by federal law pursuant to *Buckman*. App. 5a-31a.

Lockwood appealed to the Federal Circuit arguing that *Buckman*’s preemption analysis was inapplicable in the context of the PTO, federal patent law, as well as under the precedent of the Federal Circuit, namely *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998), and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1334 (Fed. Cir. 1998), *overruled on other grounds*, 175 F.3d 1356 (Fed. Cir. 1999) (holding federal patent law did not preempt state law claims in which fraud or sham before the PTO was alleged and the harm addressed was marketplace harm).

Lockwood’s appeal to the Federal Circuit Court of Appeals presented issues of great import to the patent system, including the proper interplay of federal and state law in the protection of property rights and whether *Hunter*’s “fraud-sham” exception to preemption was overruled by *Buckman* in part or in whole. Nonetheless, after participation of four

amici curiae (three in support of Lockwood), and extended oral argument on November 4, 2010, the Federal Circuit, in a per curiam order, affirmed without opinion the district court's decision that Congress intended to preempt state law claims by patent holders arising from requests for reexaminations objectively devoid of "probable cause."⁴ App. 1a-2a. The appellate court subsequently denied Petitioners' timely petition for rehearing and for rehearing en banc on January 28, 2011. App. 3a-4a.

As some among the patent bar questioned, "[i]f a patent holder has no ability to punish persons for unwarranted reexamination requests, what can stop an unscrupulous party from lying to the USPTO to initiate a reexamination?"⁵ Indeed, it is increasingly well-understood that the reexamination process is susceptible to "abuse [which] takes the form of serial reexaminations of the same patent . . . or the filing of non-meritorious requests for reexamination."⁶

⁴ The Federal Circuit's affirmance generated alarm among members of the patent community, some of whom concluded that the result in "[t]his case opens the door to some amount of bad behavior in the filing of reexamination requests." Professor Dennis Crouch, *Untouchable: Sham Reexamination Requests*, Patently-O (Nov. 15, 2010, 7:30 PM), <http://www.patentlyo.com/patent/2010/11/untouchable-sham-reexamination-requests.html>.

⁵ *Intellectual Property Bulletin (Winter 2010-2011)*, Fenwick & West, 7 (Jan. 14, 2011), http://www.fenwick.com/docstore/Publications/IP/IP_Bulletins/IP_Bulletin_Winter_2010-2011.pdf (also noting that "there are no federal laws that explicitly prohibit a party from filing allegedly unwarranted reexamination requests").

⁶ *The Reexamination Center Executive Interview: Taraneh Maghamé*, The Reexamination Center, (Oct. 12, 2009), <http://reexamcenter.com/2009/10/the-reexamination-center-executive-interview-taraneh-maghamé/> ("It is easy to see how such abuse is not only damaging to patent owners but also results in wasted PTO resources which are already too scarce").

Members of Congress have noted that reexamination can be “a death sentence for a patent,”⁷ and therefore, Congress could not possibly have intended that baseless reexamination filed solely to cause collateral harm go unremedied. Further, courts have also observed that “[f]ailure of a reexamination requester who is not the patent owner to comply with the duty of candor and good faith can be especially detrimental to the patent system.”⁸ Unquestionably, the lower court’s judgment preempting any private right of action for sham reexamination only serves to undermine the predictability and value of patent rights.

Against this backdrop, Petitioners seek review by this Court.

REASONS FOR GRANTING THE PETITION

I. SUPREME COURT REVIEW WILL RESOLVE A SPLIT AMONG CIRCUIT COURTS REGARDING THE LIMITS OF FEDERAL PREEMPTION OF STATE LAWS PROTECTING AGAINST HARM INVOLVING MISCONDUCT BEFORE FEDERAL AGENCIES

This case presents an important and recurring question of law arising from the decision in *Buckman*

⁷ Sen. Jon Kyl, Remarks at Executive Business Meeting of the Senate Judiciary Committee, 17:00-17:26, (Mar. 31, 2009), <http://judiciary.senate.gov/webcast/judiciary03312009-1000.ram>.

⁸ *Total Containment, Inc. v. Environ Prods., Inc.*, 921 F. Supp. 1355, 1378 (E.D. Pa. 1995) (finding requester withheld information from PTO regarding the publication date and public accessibility of a reference and refusing to “condone [the requester’s] conduct during reexamination”); *see also Ball Corp. v. Xidex Corp.*, 967 F.2d 1440, 1445 (10th Cir. 1992) (recognizing tort claims based on harm to patent caused by attorney’s “false statements to the PTO” in reexamination).

Co. v. Plaintiffs' Legal Comm., 531 U.S. 341 (2001), which has resulted in disagreement among the circuits concerning the relationship between state and federal law in redressing misconduct by private parties occurring before federal administrative agencies. This case presents the question of when federal law preempts, and when it coexists, with state law remedies protecting against harm caused by misconduct before federal agencies, here involving patent rights and the regulatory reach of the PTO.

The question in this case arises in the specific context of alleged misconduct that occurred in a PTO patent reexamination proceeding,⁹ but the legal issue raised herein applies equally wherever a plaintiff seeks to prevail on a traditional state law claim using evidence of fraud before a variety of federal administrative agencies.¹⁰

Here, the Federal Circuit affirmed a California district court's application of *Buckman* holding that Petitioner's state common law action for malicious prosecution, which caused harm to his patent rights, was impliedly preempted by federal law because it involved "no more than [claims alleging] bad faith misconduct before the PTO." App. 20a; *see also* App. 1a-2a.

⁹ As the decision of the lower courts was based on a motion to dismiss pursuant to Fed. R. Civ. P. Rule 12(b)(6), Petitioners' allegations of sham and fraud were required to be accepted as true. *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949 (2009).

¹⁰ *See, e.g., LeFavre v. KV Pharm. Co.*, No. 10-1326, 2011 WL 722404 (8th Cir. Mar. 3, 2011) (FCC); *In re Pharm. Indust. Average Wholesale Price Litig.*, 582 F.3d 156 (1st Cir. 2009) (HCFA); *Nathan Kimmel, Inc. v. DowElanco*, 275 F.3d 1199 (9th Cir. 2001) (EPA).

Circuit Split

The lower court holding conflicts with decisions by the First, Second, Fifth, Seventh and Eighth Circuits, which held that state law claims involving conduct before federal agencies were not preempted by federal law where the claims do not turn solely on evidence of fraud and violations of federal regulations before the agency, but on *additional* state law elements protecting individuals from marketplace harm and in matters of health and safety, as state law has traditionally done since the enactment of the Constitution. *See, e.g., In re Pharm. Indust. Average Wholesale Price Litig.*, 582 F.3d 156 (1st Cir. 2009) (under *Buckman* state claims not preempted where deceptive practices caused harm traditionally protected by state consumer laws, though “the deception touched on a federal agency”). The Second Circuit, in *Desiano v. Warner-Lambert & Co.*, 467 F.3d 85 (2d Cir. 2007), *aff’d sub nom. Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008), held that *Buckman* preemption did not preempt state law claims unless fraud on the agency is an actual element of the traditional state claim. Likewise, the Fifth Circuit held that *Buckman* preemption does not apply where violations of federal regulations are offered only as evidence that defendant breached a state law duty. *See Hughes v. Boston Scientific Corp.*, 631 F.3d 762 (5th Cir. 2011). Similarly, the Seventh Circuit distinguished *Buckman* where state law claims do not require, but are supported by, evidence of violations of federal law. *See Bausch v. Stryker Corp.*, 630 F.3d 546 (7th Cir. 2010). *See also LeFavre v. KV Pharm. Co.*, No. 10-1326, 2011 WL 722404 (8th Cir. Mar. 3, 2011) (distinguishing state law claim from *Buckman* preemption, noting that “simply because conduct violates [federal law] does not mean a state-

law claim based on that same conduct depends on [its] existence”).

In contrast, the Federal Circuit in this case, and the Third, Sixth, and Ninth Circuits, have applied more expansive interpretations of *Buckman* to hold that preemption applies even where state law claims do not require proof of fraud on the agency as an element of the claim. These courts applied *Buckman* preemption wherever the claims asserted involve misconduct before a federal agency—either as an element, or as proof required to overcome an affirmative defense, or even where conduct before an agency is presented as neither an element nor a rebuttal to a defense. The Federal Circuit here held under *Buckman* that federal law preempted Petitioners’ malicious prosecution and common law fraud claims based upon sham proceedings instigated before the PTO, merely because the allegations involved bad faith misconduct before a federal agency, without any regard to whether fraud was required as an element of the former. See *Lockwood*, 2010 WL 4721220; App. 1a-2a.

Likewise, the Third Circuit applied *Buckman* to preempt a state tort failure to warn action because allowing juries, through their verdicts, to apply stricter standards than the FCC would “stand as an obstacle to the accomplishment and execution” of the FCC’s objectives. *Farina v. Nokia Inc.*, 625 F.3d 97, 134 (3d Cir. 2010). The Ninth Circuit applied *Buckman* to preempt a Lanham Act claim where the claim would “circumvent the FDA’s exclusive enforcement authority” by litigating an alleged FDCA violation even though the FDA declined to find one. See *Photo Medix, Inc. v. Irwin*, 601 F.3d 919, 928 (9th Cir. 2010). The lower Court’s citation to *Nathan Kimmel*

shows that both inter-circuit and intra-circuit conflicts contributed to the wrong decision below.¹¹

The legal question presented here is similar to the question certified by writ by this Court in 2008, but the Court left the issue unresolved after a 4-4 split decision resulted in a per curiam affirmance. *See Warner-Lambert Co. v. Kent*, 552 U.S. 440 (2008). That case involved the viability of a state law providing tort liability in cases where fraud on the FDA had been committed during the regulatory approval process. At that time, a divergence in the circuit courts had already evolved interpreting this Court's decision in *Buckman*—one which has worsened now that it is being applied outside the FDA context.¹² *Compare Garcia v. Wyeth-Ayerst Labs.*, 385 F.3d 961 (6th Cir. 2004) (holding that the “fraud”

¹¹ Since this Court's decision in *Wyeth v. Levine*, 129 S. Ct. 1187 (2009), the Ninth Circuit appears to have conflicting decisions interpreting *Buckman* preemption. *Compare Nathan Kimmel*, 275 F.3d at 1206-07 (applying *Buckman* preemption broadly without regard to whether state interference claim has fraud as an element) *with Gaeta v. Perrigo Pharm. Co.*, 630 F.3d 1225, 1234 (9th Cir. 2011) (holding that *Buckman* is inapplicable where the question is “not whether [defendant] provided inaccurate or incomplete information to the FDA, but rather whether it complied with its post-marketing obligations to warn consumers and health care professionals about additional risks associated with its product”).

¹² *See* Gillian E. Metzger, *Federalism and Federal Agency Reform*, 111 Colum. L. Rev. 1, 37 n. 169 (2011) (noting “[l]ower courts’ continued inconsistency on . . . issues” of *Buckman* preemption); Louis M. Bograd and Andre M. Mura, *Buckman Stops Here! Limits on Preemption of State Tort Claims Involving Allegations of Fraud on the PTO or the FDA*, 41 Rutgers L. J. 309, 347 (2009) (describing uncertainty stemming from the indeterminate reach of *Buckman* preemption and observing that “the courts [are] split along the same dividing line”).

exception to Michigan’s pharmaceutical tort immunity statute was preempted by under *Buckman*), with *Warner-Lambert*, 467 F.3d 85 (declining to follow the Sixth Circuit, holding that the Michigan statute’s “fraud” exception was not preempted under *Buckman*).

A close reading of this Court’s recent decision in *Wyeth v. Levine*, read with *Buckman*, supports the conclusion that only straightforward fraud-on-the-agency claims (*i.e.*, where fraud on the agency is an element of the claim and the basis for liability) should be preempted, while the presumption against preemption applies to any state law claim involving other matters traditionally subject to state regulation, such as health and safety, property damage, and protection from baseless litigation. *See Wyeth v. Levine*, 129 S. Ct. 1187 (2009) (holding state failure to warn claim not preempted by federal law, even where manufacturer argued it could not have modified warning label placed on drug once it had been approved by the FDA because compliance with state tort law would not obstruct purposes and objectives of federal drug labeling regulation); *see also Medtronic v. Lohr*, 518 U.S. 470 (1996).

In *Buckman*, there were no independent free-standing allegations of harm traditionally protected by state law, apart from harm alleged to have been caused by the defendant’s dealings with the FDA dictated by federal statute. 531 U.S. at 347-348. And *Buckman* explicitly distinguished *Lohr* on this ground. 531 U.S. at 352. The Court in *Wyeth* shed some light on the proper reach of *Buckman*, disagreeing with the dissent’s view that, under *Buckman*, once the FDA determines that a drug is safe, “conflict preemption [principles] prohibit any State from

countermanding that determination.” 129 S. Ct. at 1220 (Alito, J., dissenting). Indeed, the Court called this reading “especially curious,” because *Buckman*, in its view, “involved state-law fraud-on-the-agency claims, and the Court distinguished state regulation of health and safety as matters to which the presumption [against preemption] does apply.” *Id.* at 1195 n.3.

Indeed, malicious prosecution, like the products liability claim in *Lohr*, 518 U.S. 470, does not require a showing of fraud on the agency. Rather, the claim requires (1) the instigation of proceedings before a court or agency without probable cause, (2) malice, and (3) termination of proceedings on the merits in plaintiff’s favor. See *Bob Baker Enters., Inc. v. Chrysler Corp.*, 30 Cal. App. 4th 678, 683 (Cal. Ct. App. 1994).¹³

¹³ The lower court committed blatant error in finding in the alternative that the favorable termination requirement for malicious prosecution in the PTO administrative proceedings context was not required. See App. 20a-22a. In fact, the statute of limitations for a malicious prosecution claim premised on a civil administrative proceeding—even an *ex parte* proceeding—begins to run at the termination of the proceeding. This Court has indicated that “sham,” which mirrors the lack of probable cause element required to prevail on a malicious prosecution claim, could not possibly be shown until the proceeding has terminated in the plaintiff’s favor, because “we have explicitly observed that a successful effort to influence governmental action certainly cannot be characterized as a sham.” See *Profl Real Estate Investors, Inc. v. Columbia Pictures Indust., Inc.* (“*PRE*”), 508 U.S. 49, 58, 62-64, n.7 (1993) (internal quotation and citation omitted). Further, the Supreme Court of California has unequivocally held that a claim for malicious prosecution in any context does not exist until the underlying proceedings terminate on the merits in plaintiff’s favor. See *Casa Herrera, Inc. v. Beydoun*, 83 P.3d 497, 500-01 (Cal. 2004). The district court erred in holding otherwise. See App. 20a-22a.

While the tort of malicious prosecution does not require proof of fraud as an element of the claim, in the patent law context, even state claims that do require proof of fraud on the PTO have previously been held to give rise to state tort liability, provided that the other elements of the state claim are also present. *See Dow*, 139 F.3d at 1478-1479 (tort liability for unfair competition involving patent law); *Hunter*, 153 F.3d at 1336-37 (tort liability for injurious falsehood involving patent law).

Indeed, until the Federal Circuit affirmed the application of *Buckman* preemption in this case, it had applied a narrow rule allowing claims to escape preemption if there was a showing of fraud on the agency or of “sham”—an approach to preemption animated by the “fraud” and “sham” exceptions carved out by this Court in *Walker Process* and *Noerr*. *See Hunter*, 153 F.3d at 1336 (“[F]ederal patent law bars the imposition of liability for conduct before the PTO unless plaintiff can show that the patentholder’s conduct amounted to fraud or rendered” federal agency action “a sham”), citing *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365

Further compounding this error, the district court held that the statute of limitations for the malicious prosecution claim begins to run at the point when the reexamination is granted, rather than at the favorable termination of the proceedings when the Lockwood Patents’ claims were affirmed. *See id.* However, the decision to grant or deny a request for reexamination is not a final agency action or subject to judicial review, and therefore cannot be the accrual point for a malicious prosecution action based on reexamination. *Heinl v. Godici*, 143 F. Supp. 2d 593, 597 (E.D. Va. 2001); *see also Patlex Corp. v. Mossinghoff* (“*Patlex II*”), 771 F.2d 480, 485 (“The determination that a substantial new question of patentability exists is a preliminary decision. It is not a final determination”).

U.S. 127, 144 (1961); *see also Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965) (requiring proof of fraud on the PTO to strip patent holder of exemption from antitrust liability). Thus, there exists a tension in reconciling *Buckman* with Federal Circuit precedent on the preemption doctrine, which had suggested that evidence of fraud on the PTO militates *against* preemption, not for it. *See In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1341 (Fed. Cir. 2008) (state *Walker Process* antitrust claims preempted by federal patent law because plaintiffs *failed* to prove fraud on the PTO).¹⁴

Further, even in contexts other than patent law, evidence of fraud or misconduct before an agency, prior to *Buckman*, has been used to rebut a suggestion that a defendant's conduct or product conformed to legal norms because it was agency-approved. *See, e.g., O'Gilvie v. Int'l Playtex, Inc.*, 821 F.2d 1438, 1446 (10th Cir. 1987) (Kansas law) (“[C]ompliance with the FDA regulations does not preclude punitive damages when there is evidence sufficient to support a finding of reckless indifference to consumer safety”); *Dorsey v. Honda Motor Co.*, 655 F.2d 650, 657 (5th Cir. 1981) (Florida law) (“[C]ompliance with [federal Motor Vehicle Safety Act standards], which were far from comprehensive, [did not preclude] any finding of recklessness no matter how egregious Honda's

¹⁴ Indeed, commentators have questioned whether there is “a coherent legal doctrine that unifies [the] seemingly conflicting holdings” of this Court in *Buckman* and *Walker Process* and which reconciles their implications for principles of preemption of state law generally. *See Bograd & Mura, Buckman Stops Here!*, *supra* n.12, at 334 (proposing a “fraud-plus” principle of preemption).

conduct had been in ignoring tests that indicated design flaws of a different nature”); *Brown ex rel. Brown v. Stone Mfg. Co.*, 660 F. Supp. 454, 458 (S.D. Miss. 1986) (Mississippi law) (compliance with federal flammability standards not conclusive on issue of whether fabric was unreasonably dangerous); *cf. Surles ex rel. Johnson v. Greyhound Lines, Inc.*, 474 F.3d 288, 300-01 (6th Cir. 2007) (Tennessee law) (concluding that compliance with federal regulations and common industry practices is evidence of the standard of care but does not conclusively establish the standard of care in negligence cases). The question remains, whether the broad reading of *Buckman* by the Federal Circuit and the Third, Sixth, and Ninth Circuits could lead to preemption of such traditional state law claims; clarification of the extent of *Buckman* preemption will forestall preemption challenges.

Although not an element of the malicious prosecution claim in this case, evidence of fraud on the agency would also tend to prove that the petitions for reexamination were malicious and would be relevant to overcome the affirmative defense raised by Respondents below, here the “independent investigation” defense. *See Jacques Interiors v. Petrak*, 188 Cal. App. 3d 1363, 1372 (1987) (independent investigation defense may not be invoked by those who “submit distorted reports” and thereby procure a malicious prosecution against another). *See also Smiddy v. Varney*, 665 F.2d 261, 266-67 (9th Cir. 1981) (presumption of prosecutorial independence rebuttable by evidence that prosecutor was supplied with information “known by them to be false”), *cert. denied sub nom. Varney v. Smiddy*, 459 U.S. 829 (1982); *Plumley v. Mockett*, 79 Cal. Rptr. 3d 822, 839 (Cal. Ct. App. 2008) (proof that court’s interim deci-

sion “was procured by fraud, perjury or subornation of perjury, or other unfair conduct on the part of defendant” can rebut presumption of probable cause). Here, the lower court erred in failing to countenance any evidence of fraud alleged as rebuttal to the independent investigation doctrine, a federal and state common law doctrine. *See* App. 22a-23a.

Thus, review in this case provides a platform to resolve the conflict between circuits which has persisted since *Warner-Lambert* regarding whether state law claims are preempted when evidence of fraud on the agency tends to prove plaintiff’s claim, or to overcome Respondents’ affirmative defense to Petitioners’ state malicious prosecution claim. Here, the PTO’s decision to institute reexamination proceedings against Petitioner was dependent upon Respondents’ duty of candor and upon the information given to the PTO in formal written requests which were required by law. *See, e.g., Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949) (“[T]he relationship of attorneys to the Patent Office requires the highest degree of candor and good faith”). *See also* Manual of Patent Examining and Practice (“MPEP”) § 2209 (“Parties are cautioned that the reexamination statute, regulations, and published examining procedures do not countenance so-called ‘litigation tactics’ in reexamination proceedings It is expected that the parties will adhere to the provisions of 37 C.F.R. 10.18(b)”) (now 37 C.F.R. § 11.18(b)).

In the case at bar, evidence of fraud on the PTO was also relevant to the other two state claims plead in the complaint: tortious interference with prospective economic advantage as well as common law

fraud.¹⁵ Interference with prospective economic advantage under California law requires a showing of harm to business relationships, *i.e.*, marketplace harm, which (as in this case) has been held not to be preempted by federal patent law even when there is proof of fraud or bad faith misconduct before the PTO. *See Dow Chemical*, 139 F.3d at 1478-79; App. 24a-27a (dismissing interference on other grounds). While the question of whether Petitioners' tortious interference claim is preempted is not presented here, the Ninth Circuit—further demonstrating confusion as to *Buckman's* reach among the circuits—held that the same California interference claim *was* preempted under *Buckman* when the claim involved fraud on the EPA. *See Nathan Kimmel*, 275 F.3d at 1205-07.

Compatibility of State and Federal Remedies for Misconduct Before the PTO

Buckman, in part, based its preemption ruling on a finding that the federal regulatory scheme itself was adequate to police misconduct before the agency. 531 U.S. at 349. The Court stated that the state-

¹⁵ The district court did not explain how it concluded that the malicious prosecution claim was based solely on conduct before the PTO, when its common law “vintage” is founded squarely on protection of citizens from baseless litigation and marketplace harm, and when bad faith conduct before the PTO is not required as an element of proof. *See* App. 19a-20a. Strangely, the district court cited as authority for this proposition the Federal Circuit's decision in *Dow Chemical*, 139 F.3d at 1477, which held that state law claims aimed at protecting marketplace harm were *not* preempted. *See* App. 20a. In the case at bar, Petitioners alleged that Defendants' instigation of baseless reexamination proceedings before the PTO cast a cloud over the Lockwood Patents and was itself the mechanism of marketplace harm.

federal “conflict stems from the fact that the federal statutory scheme amply empowers the FDA to punish and deter fraud against the Administration, *and [from the fact] that this authority is used by the Administration to achieve a somewhat delicate balance of statutory [FDCA and MDA] objectives.*” *Id.* at 348 (emphasis added). In this case, in an effort to rely on an expansive reading of *Buckman*, the Respondents argued that the PTO’s power to discipline patent practitioners who commit fraud conflicted with the state law malicious prosecution claim. *See, e.g.*, 35 U.S.C. § 32 (empowering PTO to suspend or exclude persons from practice before the Office); 37 C.F.R. § 10.131(a) (authorizing PTO Director to investigate disciplinary rules violations by patent practitioners); 37 C.F.R. § 10.131(b), (c) (permitting citizens to report wrongdoing to the PTO). *See also Buckman*, 531 U.S. at 350.

However, in the patent law context, with full congressional and PTO acquiescence, courts have routinely adjudicated state claims of negligence and attorney misconduct before the PTO, up to and including issues of fraud on the PTO, and complementing agency enforcement of practitioner discipline. *See, e.g., Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1269 (Fed. Cir. 2007) (legal malpractice action arising from attorney’s failure to disclose prior art to the PTO); *Dippin’ Dots, Inc., v. Mosey*, 476 F.3d 1337, 1346 (Fed. Cir. 2007) (“the first barrier for a *Walker Process* claimant to clear is the requirement that the patent be obtained through actual fraud upon the PTO”); *Lex Tex Ltd. v. Skillman*, 579 A.2d 244, 245 (D.C. 1990) (legal malpractice action based on attorney’s inequitable conduct before PTO); *Ball Corp. v. Xidex Corp.*, 967 F.2d 1440, 1445 (10th Cir. 1992)

(recognizing tort claims based on harm to patent rights caused by attorney's "false statements to the PTO" in reexamination proceedings).

Thus, included in the question in this case is whether *Buckman's* "fraud on the agency" preemption extends to bar state claims involving fraud or misconduct before federal agencies, where Congress has acquiesced to the courts' adjudication of fraud before these agencies. See Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office's Troubled Quest for Managerial Control*, 157 U. Pa. L. Rev. 2051, 2079 (2009) (acknowledging that "courts [are] the sole arbiters of what constitutes fraud on the PTO").

Notably, the Patent Act, 35 U.S.C. § 1 *et seq.*, contains no "express enforcement" provision similar to the FDCA precluding private enforcement. The presence of express enforcement authority has been considered by some circuits as an important factor. For example, the Ninth Circuit in *Nathan Kimmel* held that the federal statute, FIFRA, which expressly limited state regulation of pesticides, included the authority to police fraud among the EPA's powers. 275 F.3d at 1206; compare *Farina*, 625 F.3d at 125-26 (finding that Congress mandated that the FCC police all standards for RF emissions of cell phones and preempting state law claims), with *In re Pharm.*, 582 F.3d at 176 (finding *Buckman* did not compel the assumption that it was the HCFA's "exclusive dominion to combat" deceptive practices); cf. *Sierra Nat'l Ins. Holdings, Inc. v. Altus Fin., S.A.*, No. CV 01-01339 AHM(CWX), 2001 WL 1343855, at *8 (C.D. Cal. June 20, 2001) ("Although it appears that the Federal Reserve Board does have powers of enforcement and that there is no private right of action for

BHCA violations, it does not necessarily follow that conflict preemption applies. The *Buckman* court relied on several factors specifically applicable to the FDA”). While the district court here (affirmed by the Federal Circuit) cited the Ninth Circuit’s decision in *Nathan Kimmel*, which involved EPA’s enforcement powers granted by Congress, a part of the question presented is whether the lower court erred by not inquiring into the congressional intent underlying the PTO’s regulatory scheme, which is unique and completely distinct from the schemes of the EPA or FDA. *See* App. 19a-20a; *see also Lohr*, 518 U.S. at 485 (noting that the preemption analysis is guided by the “oft-repeated” principle that “[t]he purpose of Congress is the ultimate touchstone”).

Not only does the Patent Act contain no provision authorizing PTO involvement in determining fraud in the reexamination context, nor any mechanism for redressing private property damage that relates to licensing, enforcement, and business use of patents, but the PTO has even stated that it is not interested in pursuing cases involving allegations of fraud before it, and in fact the PTO does not pursue such claims. *See* Brief for the United States as Amicus Curiae on Rehearing En Banc in Support of Neither Party (“Therasense Brief”) at 16 n.6, *Therasense, Inc. v. Becton, Dickinson & Co.*, 374 Fed. App’x 35 (Fed. Cir. 2010) (Nos. 2008-1511, 2008-1512, 2008-1514, 2008-1515) (brief reprinted at 2010 WL 3390234, at *16 n.6).¹⁶

¹⁶ Further, Congress recently expressed its implicit approval of the fact that courts police misconduct before the PTO. *See* Christian E. Mammen, *Controlling the “Plague”: Reforming the Doctrine of Inequitable Conduct*, 24 Berkeley Tech. L.J. 1329, 1384-90 (2009) (describing the content of a bill proposed by Sen.

Thus, the enforcement powers granted to the PTO by Congress are extremely limited in comparison to other agencies, and moreover the PTO itself has repeatedly disavowed¹⁷ any desire to police fraud before it, preferring that this task be left to the courts—a sign that state law claims would in no way interfere with its objectives, in contrast to the situation with the FDA in *Buckman*. In this case, the lower courts failed to recognize the relevant differences in the balance of scope and objectives of federal patent law and regulation.

As mentioned, this Court has long required proof of intentional fraud on the PTO in order to strip the patent holder of exemption from liability under anti-trust law. *Walker Process*, 382 U.S. at 177. Similarly, in the patent law system, it has long been the role of the courts to police fraud before the PTO by allowing liability for bad faith and fraudulent misconduct. *See Tafas v. Doll*, 559 F.3d 1345, 1358 (Fed. Cir. 2009) (“The reach of inequitable conduct [before the PTO] is solely within the control of the courts”), *vacated on other grounds*, 328 Fed. App’x. 658 (Fed. Cir. 2009). This Court has repeatedly found Congress’ failure to establish a federal remedy important in its preemption analyses; the state law remedy here comple-

Jon Kyl that would have empowered the PTO to police fraud and impose civil penalties, but noting that “[t]he Kyl bill was not approved in the Senate” and was later reintroduced without the same fraud provisions).

¹⁷ The PTO has officially acknowledged its lack of power to investigate fraud and inequitable conduct, specifically the element of intent to deceive. *See* Changes to Patent Practice and Procedure, 62 Fed. Reg. 53132, 53165 (Oct. 10, 1997) (stating that “the Office no longer investigates fraud and inequitable conduct issues”); *see also* Therasense Brief, 2010 WL 3390234, at *16 n.6.

ments rather than obstructs PTO objectives. *See, e.g., Wyeth*, 129 S. Ct. at 1199-1200; *Silkwood v. Kerr-McGee Corp.*, 464 U.S. 238, 251 (1984).¹⁸

With over 250 federal agencies created by numerous federal statutes governing various types of conduct, this Court should grant this petition to review the notion that *Buckman's* preemption holding would apply “automatically”—as argued by Respondents below—to all federal agencies without a complete analysis of the alleged conflict between the state claims and each federal agency’s statutory objectives. *See Lohr*, 518 U.S. at 500 (requiring “a careful comparison between the allegedly pre-empting federal requirement and the allegedly pre-empted state requirement”).

¹⁸ Fraud on the PTO (in the patent law context)—unlike fraud on the FDA—is a matter so frequently alleged and decided in the courts that it has even given rise, over the years, to “practical guides” for litigants making such allegations. *See, e.g.,* Gina Elder, *A Practical Guide for Proving Fraud on the Patent and Trademark Office: J.P. Stevens & Co. v. Lex Tex Ltd.*, 34 Am. U. L. Rev. 729 (1985). In the trademark context, courts regularly decide issues of fraud on the PTO where a party seeks cancellation of a registered mark. *See* 15 U.S.C. 1064(3) (permitting third-parties to petition for cancellation of a trademark on the grounds that “its registration was obtained fraudulently”); *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009). In rejecting *Buckman's* preemption analysis in the PTO context, the Intellectual Property Section of the ABA recently took a position aligned with the Petitioner’s, stating that “[t]he PTO has a different mission and responsibility than other agencies . . . [and] is not a regulatory agency like the Food and Drug Administration.” According to the ABA, when a patent “is tainted by fraud or inequitable conduct” before the PTO, it is the role of the federal courts—not the agency—to adjudicate fraud on the PTO.

II. THIS CASE PRESENTS A QUESTION OF NATIONAL IMPORTANCE INVOLVING THE EXTENSION OF BUCKMAN'S "FRAUD ON THE AGENCY" PRE-EMPTION DOCTRINE TO THE U.S. PATENT SYSTEM WHOSE EFFECTIVE OPERATION IS SAFEGUARDED BY STATE LAW PROTECTION OF PATENT RIGHTS FROM SHAM REEXAMINATION REQUESTS

At stake in this case is whether the incentives of the patent system and the value of patent protection for millions of patent holders will be undermined, if patents can be vitiated and inventors effectively deprived of their property through the instigation of "sham" proceedings before the PTO. *See generally* Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 Colum. Sci & Tech. L. Rev. 93 (2011) (empirical analysis of abuses of PTO reexamination processes and resulting impact on patent holders and patent property rights).

Patents are government-granted property rights. *See generally* 35 U.S.C. §§ 154, 261 ("[P]atents shall have the attributes of personal property"); *see also* *Patlex Corp. v. Mossinghoff* ("*Patlex I*"), 758 F.2d 594, 599-600 (Fed. Cir. 1985) ("[P]atent property rights, necessarily including the right 'to license and exploit patents', fall squarely within both classical and judicial definitions of protectable property . . . [and] the right to exclude . . . is implemented by the licensing and exploitation of patents"), *aff'd in part and rev'd in part on reh'g*, *Patlex II*, 771 F.2d 480 (Fed. Cir. 1985). The possibility that patentability may be challenged on the basis of fraudulent or objectively

baseless petitions to the PTO strikes at the heart of the inventor's right to exclusivity, chilling invention and disclosure by weakening the incentive of patent protection. *See Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481 (1974) (citing 35 U.S.C. § 112). Congress established the reexamination procedures of 35 U.S.C. §§ 301-307, requiring that a request for reexamination present a "substantial new question of patentability" in order to safeguard patent holders from unwarranted reexaminations. *See Patlex II*, 771 F.2d at 484.

It defies logic to argue that Congress intended to provide patent holders a layer of protection in 35 U.S.C. §§ 303-304—and then to deprive them of any remedy if that protection should fail or be bypassed through fraud. Indeed, the reexamination statutes themselves, 35 U.S.C. §§ 301-307, require a duty of good faith from the requester, and therefore do not protect deceptive or objectively baseless requests. To hold Respondents liable for instigating "sham" proceedings before the PTO is wholly consistent with federal law. *See Hunter Douglas*, 153 F.3d at 1336.

Likewise, here, Petitioners' malicious prosecution claim clearly operates within traditional realms of state police power, protecting property rights from marketplace harm and citizens from baseless litigation. *See, e.g., Metro. Life Ins. Co. v. Massachusetts*, 471 U.S. 724, 756 (1985) (finding no preemption of state law and explaining that states have "great latitude" under their police powers to protect the "lives, limbs, health, comfort, and quiet of all persons"); *Asgari v. City of L.A.*, 15 Cal. 4th 744, 754 (1997) ("malicious prosecution protects the personal interest in freedom from unjustifiable litigation"). The instigation of sham agency proceedings before the PTO

challenging patentability in order to harm a competitor in the context of patent enforcement litigation or patent licensing, is just the kind of marketplace harm protected by the claim of malicious prosecution. *See PRE*, 508 U.S. at 62-63.

The lower court here failed to apply the presumption against preemption, which should apply unless state law stands as an obstacle to the “clear and manifest” purpose of Congress. *See Wyeth*, 129 S.Ct. at 1195. In *Wyeth*, the Court found it “difficult to believe that Congress would, without comment, remove all means of judicial recourse for those injured by illegal conduct.” *Id.* Likewise, here, the state law claim presents no obstacle to congressional intent, and there is no federal remedy for the harm addressed by the state law claim. The absence of a federal remedy was seen as evidence of congressional approval of state law remedies. *See Wyeth*, 129 S. Ct. at 1200 (“Congress did not provide a federal remedy for consumers harmed by unsafe or ineffective drugs in the 1938 statute or in any subsequent amendment. Evidently, it determined that widely available state rights of action provided appropriate relief for injured consumers”). Thus, extending tort liability to third parties for instigating sham reexamination proceedings before the PTO promotes the congressionally approved goals of federal patent law, including public disclosure of inventions, encouraging inventors to apply for patent protection by providing them a means of redress if they should be wrongfully deprived of their patent rights. Allowing such state law tort claims to proceed is entirely consistent with the objectives of Congress when it enacted the reexamination statute. Nor do the tort claims at issue present any conflict with 35 U.S.C. § 303; rather, they reinforce its purpose. *Cf. Patlex II*, 771 F.2d at

487 (“When Congress enacted 35 U.S.C. § 303 for the purpose of protecting the patentee, it could not have intended an implementation that would negate this protection”).

In fact, preemption of state claims by federal patent law has been held to be appropriate only in certain discrete circumstances not present in this case. For example, state laws are preempted which offer “patent-like protection for ideas deemed unprotected by the present federal scheme.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 168 (1989); see also *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964) (“Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source”). States may enforce business agreements pursuant to their contract law, even though the contracts may relate to patents. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). Indeed, states may regulate the use of intellectual property in any manner not inconsistent with federal law, especially where a state law serves “to promote goals outside the contemplation of the federal patent scheme.” *Bonito Boats*, 489 U.S. at 166.

Here, *Buckman’s* “fraud on the agency” theory of the preemption doctrine was wrongly extended into a domain traditionally reserved for the states, which have long protected property rights against anti-competitive harm, just as they have protected citizens from baseless litigation. That Respondents’ conduct occurred before a federal agency does not change the fact that—unlike the conduct alleged in *Buckman*—it was directed against Petitioners’

property rights, reverberated throughout the marketplace, and forced Petitioners' to defend against "sham" administrative proceedings.

Thus, review of this case will give the Court an opportunity to decide whether a state law tort claim for damage to property is entitled to a presumption against preemption, and may co-exist with federal patent law, given the historic involvement of states in business matters involving patent property rights.

Further, this case raises the broader issue—in the federal administrative agency context—addressed by a long history of jurisprudence holding that federal immunities do not bar claims based on objectively baseless government petitions filed in court or before administrative agencies with malice or within the context of "sham litigation." *See, e.g., Noerr*, 365 U.S. 127 (1961); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657 (1965); *Cal. Motor Trans. Co. v. Trucking Unlimited.*, 404 U.S. 508 (1972) (extending the *Noerr-Pennington* doctrine from anti-trust context to attempts to influence administrative and adjudicatory bodies, while holding that a cause of action had been stated under the "sham" exception to the doctrine); *see also Ball*, 967 F.2d at 1444-45 (concluding that absolute immunity for private lawyers cannot be extended to claims involving allegations of fraud in PTO proceedings).

In *PRE*, the Court recognized that objectively baseless "sham" proceedings in the judicial or agency context may "impose a collateral harm" on a market competitor. *PRE*, 508 U.S. at 68-69 (Stevens, J., concurring). It is undisputed that a baseless and fraudulent request for reexamination when used as a strategy to hinder patent enforcement and harm the business of the patentee, does hinder the patent-

holder's rights to business use and enforcement of his patents, and also hinders access to adjudicatory tribunals to enforce his patents, as reexamination is often the basis for a stay of enforcement litigation. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009) (Newman, J., concurring) (reexamination "subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity").

Depriving patentees of a remedy for sham reexamination requests will inevitably threaten the quid pro quo of the patent system, jeopardizing the objective of disclosure by weakening the patent right to exclude others, and imperiling billions in commerce built on U.S. Patents. *See* Katharine M. Zandy, *Too Much, Too Little, or Just Right? A Goldilocks Approach to Patent Reexamination Reform*, 61 N.Y.U. Ann. Surv. Am. L. 865, 889 (2006) ("Subjecting patent holders to a constant onslaught of cheap, easy-to-pursue patent reexaminations would force an unfair burden on them. It could also cause fewer patents in the long run, as inventors turn to other avenues of protection, such as trade secret law, instead of risky patenting").¹⁹

In summary, the question presented here is important and recurring: Does the implied preemption doctrine in *Buckman* bar plaintiffs, such as Petitioner, from relief under state law for harm involving misconduct before a federal agency, even where

¹⁹ As PTO Director Kappos recently acknowledged, "there are lots and lots of jobs riding on the patents we have in reexamination." David Kappos, *Improving the Reexamination Process*, Director's Forum: David Kappos' Public Blog, (June 6, 2010, 3:02 PM), http://www.uspto.gov/blog/director/entry/improving_the_reexamination_process#comments.

fraud-on-the-agency is not an element of the state law claim? Denying patent holders a private remedy for damages to their property interests in their patents risks subjecting them to baseless administrative challenges with no prospect of compensation in sight, and this undermines the very foundations of the patent system. By contrast, clarifying the preemptive reach of *Buckman* through this case would simultaneously ensure the integrity of the patent system and resolve pervasive confusion in the lower courts.

III. ALTERNATIVELY, THE COURT SHOULD VACATE THE DECISION BELOW, AND REMAND TO THE FEDERAL CIRCUIT FOR RECONSIDERATION SUPPORTED BY AN OPINION

In the recently argued case of *Mensing v. Wyeth, Inc.*, 588 F.3d 603 (8th Cir. 2009), *cert. granted sub nom. Pliva, Inc. v. Mensing*, 131 S. Ct. 817 (2010), the application of *Buckman* preemption animated the parties' briefing as well as the questioning of this Court during oral argument. Therefore, Petitioner requests in the alternative that the Court hold this petition until decision in *Pliva*, and thereafter grant the petition, vacate the judgment of the Federal Circuit, and remand this case ("GVR") to that court for further proceedings in light of this Court's guidance regarding the reach of *Buckman* preemption in *Pliva*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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April 28, 2011

APPENDIX

1a

APPENDIX A

NOTE: This disposition is nonprecedential.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

LAWRENCE B. LOCKWOOD and PANIP, LLC,
Plaintiffs-Appellants,

v.

SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP,
JONATHAN HANGARTNER, and STEVE P. HASSID,
Defendants-Appellees,

2010-1189

Appeal from the United States District
Court for the Central District of California in
Case No. 09-CV-5157, Judge John F. Walter.

JUDGMENT

KATHRYN L. BOYD, Howarth & Smith, of Los Angeles, California, argued for plaintiffs-appellants. With her on the brief was DON HOWARTH.

GARY A. CLARK, Sheppard, Mullin, Richter & Hampton, LLP, of Los Angeles, California, argued for defendants-appellees. With him on the brief were DARREN M. FRANKLIN and DENNIS J. SMITH.

ANDRE M. MURA, Center for Constitutional Litigation, P.C., of Washington, DC, for amicus curiae the TPL Group.

DAVID HRICIK, Mercer University School Law, of Macon, Georgia, for amicus curiae Amici Law Professors.

MARGARET M. GRIGNON, Reed Smith LLP, Of Los Angeles, California, for amicus curiae NDP Managed Security. With her on the brief was JUDITH E. POSNER.

BRIAN M. BERLINER, O'Melveny & Myers LLP, of Los Angeles, California, for amicus curiae O,Melveny & Myers LLP. With him on the brief were JOSHUA BILLER; and MARK S. DAVIES and MEAGHAN MCLAINE VERGOW, of Washington, DC.

THIS CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

PER CURIAM (NEWMAN, PLAGER, and PROST, *Circuit Judges*).

AFFIRMED. *See* Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

NOV 15 2010
Date

/s/ Jan Horbaly
Jan Horbaly
Clerk

ISSUED AS A MANDATE: FEB 4 2011

FILED
U.S. Court Of Appeals For
The Federal Circuit
NOV 15 2010
Jan Horbaly
Clerk

3a

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2010-1189

LAWRENCE B. LOCKWOOD and PANIP, LLC,
Plaintiffs-Appellants,

v.

SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP,
JONATHAN HANGARTNER, and STEVE P. HASSID,
Defendants-Appellees.

Appeal from the United States District Court for the
Central District of California in case no. 09-CV-5157,
Judge John F. Walter.

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellants,* and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

* The court granted leave to the TPL Group to file a brief amicus curiae in support of the combined petition.

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ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on February 4, 2011.

FOR THE COURT,

/s/ Jan Horbaly
Jan Horbaly
Clerk

FILED
U.S. Court Of Appeals For
The Federal Circuit
JAN 28 2011
Jan Horbaly
Clerk

Dated: 01/28/2011

cc: Don Howarth.
Gary A. Clark
D.Hricik, M.Grignon, A.Mura, B.Berliner

LOCKWOOD V SHEPPARD MULLIN, 2010-1189
(DCT - 09-CV-5157)

5a

APPENDIX C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed: 11/24/2009]

Case No. CV 09-5157-JFW (AGR_x)

LAWRENCE B. LOCKWOOD, *et al.*,
Plaintiff,

v.

SHEPPARD, MULLIN, RICHTER
& HAMPTON, LLP, *et al.*,
Defendant.

CIVIL MINUTES—GENERAL

PRESENT: HONORABLE JOHN F. WALTER,
UNITED STATES DISTRICT JUDGE

Shannon Reilly
Courtroom Deputy

None Present
Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS: None

ATTORNEYS PRESENT FOR DEFENDANTS: None

PROCEEDINGS (IN CHAMBERS):

ORDER GRANTING DEFENDANTS' MOTION
TO DISMISS [filed 9/11/09; Docket No. 28]; and

ORDER DENYING DEFENDANTS' MOTION
TO STRIKE PLAINTIFF'S STATE LAW CLAIMS
PURSUANT TO CAL. CIV. PROC. CODE § 425.16
[filed 9/11/09; Docket No. 31]

On September 11, 2009, Defendants Sheppard, Mullin, Richter & Hampton, LLP (“Sheppard Mullin”), Jonathan Hangartner (“Hangartner”), and Steve P. Hassid (“Hassid”) (collectively, “Defendants”) filed a Motion to Dismiss and a Motion to Strike Plaintiff’s State Law Claims Pursuant to Cal. Civ. Proc. Code § 425.16 (“Motion to Strike”). On October 22, 2009, Plaintiffs Lawrence B. Lockwood (“Lockwood”) and PanIP, LLC (“PanIP”) (collectively, “Plaintiffs”) filed their Oppositions. On November 2, 2009, Defendants filed Replies. Pursuant to Rule 78 of the Federal Rules of Civil Procedure and Local Rule 7-15, the Court finds that this matter is appropriate for decision without oral argument. The matter was, therefore, removed from the Court’s November 9, 2009 hearing calendar and the parties were given advance notice. After considering the moving, opposing, and reply papers, and the arguments therein, the Court rules as follows:

I. Factual and Procedural Background

Plaintiff Lockwood is the owner of two patents that are involved in this action: U.S. Patent No. 5,576,951 (the “951 Patent”), entitled “Automated Sales and Service System”; and U.S. Patent No. 6,289,319 (the “319 Patent”), entitled “Automatic Business and Financial Transaction Processing System.” Plaintiff Lockwood applied for both patents in 1994. The ‘951 Patent was issued in 1996, and the ‘319 Patent was issued in 2001.

In 2002, Plaintiff Lockwood, through his company, Plaintiff PanIP, instituted a patent enforcement program in which he offered licenses to companies he believed were infringing his patents, and filed patent infringement lawsuits against those that declined. Plaintiff Lockwood believed that companies using

e-commerce systems that included interactive, searchable computerized systems for finding, selecting, and ordering information, goods, or services infringed his patents. Plaintiff Lockwood's patent enforcement strategy resulted in dozens of patent infringement lawsuits filed in the federal district court for the Southern District of California. Defendant Sheppard Mullin, through Defendant Hangartner, an attorney at the firm, represented approximately 20 of the defendants in those lawsuits. In light of the numerous lawsuits filed by Plaintiff PanIP, the PanIP Group Defense Fund, Inc. ("PGDF") was formed to enable the defendants to coordinate their defense of these lawsuits and solicit donations to pay defense costs. One of the members of PGDF represented by Defendant Sheppard Mullin and Defendant Hangartner was Debrand Fine Chocolates of Indiana ("Debrand").

On May 5, 2003, Defendant Sheppard Mullin, on behalf of its clients in the patent infringement lawsuits, filed requests with the United States Patent and Trademark Office ("PTO") for reexamination of the '951 Patent and the '319 Patent.¹ These requests

¹ Under the patent laws, any person may file a request for reexamination. 35 U.S.C. § 302. Within three months after the request is filed, the PTO must determine whether the request raises "a substantial new question of patentability affecting any claim of the patent." 35 U.S.C. § 303. The patent owner is not permitted to file a statement or response to the request during this three month period. 37 C.F.R. § 1.530. If the PTO independently determines that a substantial new question of patentability has been raised, it conducts a reexamination of the patent. 35 U.S.C. § 304. At the conclusion of the reexamination, the PTO issues a certificate canceling any claim of the patent determined to be unpatentable, confirming any claim determined to be patentable, and incorporating in the patent any

were signed by Defendant Hassid, an associate at Defendant Sheppard Mullin. The requests challenged the validity of the patents on the ground that the claims of the patents were anticipated by prior patents or publications (*i.e.*, prior art). The same day, Defendant Sheppard Mullin filed a motion to stay the patent infringement lawsuits that Plaintiff PanIP had filed in the federal district court for the Southern District of California, citing the reexamination requests.

On June 2, 2003, while the motion to stay the patent infringement suits was pending, Defendant PanIP entered into a stipulation to stay the lawsuits in the federal district court for the Southern District of California. On June 5, 2003, the court approved the stipulation. On July 7, 2003, the PTO granted the reexamination request for the '951 Patent. On July 29, 2003, the PTO granted the reexamination request for the '319 Patent. On August 26, 2003, the court denied without prejudice all pending motions in light of the fact that "the parties agreed to a Stipulation and Order staying all proceedings in this litigation pending the PTO's resolution of a request to reexamine the '951 and '319 Patents." After granting the reexamination requests, the PTO conducted a reexamination of the '951 Patent and the '319 Patent in accordance with the PTO's procedures.

On November 4, 2002, Plaintiffs Lockwood and PanIP sued PGDF, Debrand, Debrand's founder/president, and Debrand's secretary/treasurer in a case styled *PanIP LLC and Lawrence Lockwood v. PanIP Group Defense Fund, Inc., et al.*, bearing Case

proposed amended or new claim determined to be patentable.
35 U.S.C. § 307.

No. 3:02-cv-2173-B-JFS (S.D. Cal.), alleging a variety of federal and state law claims related to PGDF's website (the "PGDF action"). Defendant Sheppard Mullin represented the defendants in the PGDF action. On March 19, 2004, Plaintiffs Lockwood and PanIP settled the PGDF action, and entered into a Covenant Not to Sue and Release Agreement, which released PGDF from all claims, known and unknown, as of the effective date of the agreement. Covenant Not to Sue and Release Agreement, ¶ 2.2. Plaintiffs Lockwood and PanIP also agreed to dismiss with prejudice the pending but stayed patent cases in the federal district for the Southern District of California (¶ 1.2), agreed not to file any additional complaints alleging infringement of any patent that was subject to the ongoing reexamination proceedings (¶ 2.1), and agreed to inform third parties that they approached for licensing agreements about the reexamination proceedings (¶ 6.1).

On June 6, 2006, the PTO issued a "Notice of Intent to Issue Ex Parte Reexamination Certificate" that indicated the certificate would confirm the patentability of all claims of the '319 Patent. On July 17, 2007, the certificate was issued. On September 24, 2007, the PTO issued a similar notice of intent with respect to the '951 Patent. On January 29, 2008, the certificate was issued.

On June 4, 2007, Plaintiff Lockwood sued Defendants Sheppard Mullin and Hargartner in Los Angeles Superior Court for interference with prospective economic advantage. In response, Defendants Sheppard Mullin and Hargartner filed an Anti-SLAPP motion. Plaintiff Lockwood then filed a First Amended Complaint, adding claims for malicious prosecution and fraud. In response to the First Amended Complaint,

Defendants Sheppard Mullin and Hargartner filed a second Anti-SLAPP motion. The trial court granted the Anti-SLAPP motions and entered judgment against Plaintiff Lockwood. However, the Court of Appeal subsequently vacated the judgment and remanded the case to the trial court, directing the trial court to dismiss the case for lack of subject matter jurisdiction.

In response, on July 15, 2009, Plaintiffs Lockwood and PanIP filed a Complaint in this Court, alleging claims for relief against Defendants Sheppard Mullin, Hargartner, and Hassid for: (1) malicious prosecution in connection with United States patent; (2) interference with prospective economic advantage; (3) fraud; and (4) violation of 18 U.S.C. §§ 1962, 1964 (“RICO”). In the Complaint, Plaintiffs allege that Defendants fraudulently mischaracterized the patents and publications submitted to the PTO with the requests for reexamination. For example, the Complaint alleges that Defendants represented to the PTO that a system described in a 1986 manual titled “Electronic Mail” was “available to the public” but did not disclose or explain that the manual itself was marked “confidential and proprietary.” In addition, Plaintiffs allege that Defendants represented to the PTO that another patent contained “teachings not provided during the prosecution of the Lockwood ‘319 Patent” but that they failed to disclose or explain that this patent had been of record in the file of the “grandparent” patent application to the ‘319 Patent.

II. Legal Standard

A motion to dismiss brought pursuant to Federal Rule of Civil Procedure 12(b)(6) tests the legal sufficiency of the claims asserted in the complaint. “A Rule 12(b)(6) dismissal is proper only where there

is either a ‘lack of a cognizable legal theory’ or ‘the absence of sufficient facts alleged under a cognizable legal theory.’” *Summit Technology, Inc. v. High-Line Medical Instruments Co., Inc.*, 922 F. Supp. 299, 304 (C.D. Cal. 1996) (quoting *Balistreri v. Pacifica Police Dept.*, 901 F.2d 696, 699 (9th Cir. 1988)). However, “[w]hile a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitlement to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.” *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1964-65 (2007). “[F]actual allegations must be enough to raise a right to relief above the speculative level.” *Id.* at 1965.

In deciding a motion to dismiss, a court must accept as true the allegations of the complaint and must construe those allegations in the light most favorable to the nonmoving party. *See, e.g., Wyler Summit Partnership v. Turner Broadcasting System, Inc.*, 135 F.3d 658, 661 (9th Cir. 1998). “However, a court need not accept as true unreasonable inferences, unwarranted deductions of fact, or conclusory legal allegations cast in the form of factual allegations.” *Summit Technology*, 922 F. Supp. at 304 (citing *Western Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981) *cert. denied*, 454 U.S. 1031 (1981)).

“Generally, a district court may not consider any material beyond the pleadings in ruling on a Rule 12(b)(6) motion.” *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1555 n. 19 (9th Cir. 1990) (citations omitted). However, a court may consider material which is properly submitted as part of the complaint and matters which may be judicially noticed pursuant to Federal Rule of Evidence 201

without converting the motion to dismiss into a motion for summary judgment. *See, e.g., id.; Branch v. Tunnel*, 14 F.3d 449, 454 (9th Cir. 1994). Where a motion to dismiss is granted, a district court should provide leave to amend unless it is clear that the complaint could not be saved by any amendment. *See Chang v. Chen*, 80 F.3d 1293, 1296 (9th Cir. 1996).

III. Discussion

A. Plaintiffs' RICO Claim Must Be Dismissed.²

1. Plaintiffs' RICO claim is barred by the statute of limitations.

Plaintiffs' RICO claim must be dismissed because it is time-barred by the four-year statute of limitations. *Agency Holding Corp. v. Malley-Duff & Associates*, 483 U.S. 143, 156 (1987). A RICO claim accrues when the plaintiff has "actual or constructive knowledge of [the defendant's] fraud." *Living Designs, Inc., v. E.I. Dupont De Nemours & Co.*, 431 F.3d 353, 365 (9th Cir. 2005) ("The limitations period for civil RICO actions begins to run when a plaintiff knows or should know of the injury which is the basis for the action."). "The plaintiff is deemed to have had constructive knowledge if it had enough information to warrant an investigation which, if reasonably diligent, would have led to discovery of the fraud." *Id.* (internal citation omitted).

In this case, Plaintiffs knew of the alleged fraud and their alleged injuries by July 2003. In fact, Plaintiffs allege in the Complaint that their injuries

² In deciding Defendants' Motion to Dismiss the RICO claim, the Court has also considered the RICO Case Statement filed by Plaintiffs on August 10, 2009, pursuant to the Court's August 3, 2009 Order.

began as early as June 2003 when “the district court granted [Defendants’] Motion to Stay immediately prior to the scheduled Markman hearing which would have adjudicated the infringement of the Patents on the merits”³. Complaint, ¶ 135. In addition, by July 2003, the PTO had granted the reexamination requests that Defendants had filed in May 2003 for both the ‘951 Patent and the ‘319 Patent; Defendants had filed their motion to stay proceedings in the federal district court for the Southern District of California, which referred to the granting of the reexamination requests; and Defendants had filed other, allegedly fraudulent papers in the federal district court. Because Plaintiffs had received copies of these documents, Plaintiffs were fully aware of the alleged fraud and their alleged injuries more than six years before they filed the present action, and, thus, the RICO claim is time-barred.⁴

Plaintiffs attempt to plead around this obvious statute of limitations bar by claiming that “[f]rom May 5, 2003 through December 5, 2006, the Defendants

³ While Defendants argue there are factual issues raised by this allegation—namely, that Judge Brewster did not grant the motion to stay but approved a stipulation signed by Plaintiff PanIP, and that a court does not adjudicate infringement at a *Markman* hearing—this allegation makes it clear that Plaintiffs’ RICO claim had accrued by June 2003.

⁴ Thus, Plaintiffs cannot allege equitable tolling applies because any delay in discovering Defendants’ alleged fraud is due, not to misconduct on the part of Defendants, but on Plaintiffs’ own failure to review the papers which were served upon them. *See, e.g., Hensley v. United States*, 531 F.3d 1052, 1057-58 (9th Cir. 2008) (doctrine of equitable tolling “is not available to avoid the consequence of one’s own negligence, and does not apply when a late filing is due to claimant’s failure to exercise due diligence in preserving his legal rights.”)

continued their fraudulent scheme . . . through the continued use of the PGDF website . . .” Complaint, ¶ 136. However, Defendants’ alleged “continuation” of their purported fraudulent scheme does not restart the statute of limitations. *See, e.g., Grimmett v. Brown*, 75 F.3d 506, 514 (9th Cir. 1996). To restart the statute of limitations under RICO, an overt act must: (1) be new and independent, and not merely a reaffirmation of a previous act; and (2) inflict new and accumulating injury on the plaintiff. *Id.* at 513. In this case, Plaintiffs allege merely a “continuation” of a previous act, and fail to allege that the continuation of that previous act inflicted any new injuries. Specifically, the Covenant Not to Sue and Release Agreement, ¶ 5.4, expressly permitted the continuation of the PGDF website on certain agreed upon terms and conditions, and Plaintiffs have failed to allege that Defendants did not comply with those terms and conditions. In the absence of a claim that Defendant somehow breached the provisions of the Covenant Not to Sue and Release Agreement relating to the operation of the PDGF website, Plaintiffs cannot claim that the continued use of the authorized PGDF website somehow restarted the RICO statute of limitations.

2. Plaintiffs’ RICO claim fails to state a pattern of racketeering activity.

In addition, Plaintiffs’ RICO claim must be dismissed because Plaintiffs have failed to allege a sufficient pattern of racketeering activity. The elements of a RICO claim are: “(1) conduct (2) of an enterprise (3) through a pattern (4) of racketeering activity (known as ‘predicate acts’) (5) causing injury to the plaintiff’s ‘business or property.’” *Grimmett*, 75 F.3d at 510 (citing 18 U.S.C. §§ 1964(c), 1962(c)). A “pattern”

requires (1) two predicate acts within ten years of each other; (2) a relationship between those two acts; and (3) a threat of continued activity. 18 U.S.C. § 1961(5). Continuity generally requires that the scheme has been in existence for at least one year. *Grimmett*, 75 F.3d at 512; *H.J., Inc., v. Northwestern Bell Tel.*, 492 U.S. 229, 239 (1989) (discussing that “Congress was concerned in RICO with longterm criminal conduct”).

In this case, Plaintiffs have alleged a total of only six predicate acts, five of which occurred during a 12 day period in May 2003: (1) mailing the reexamination request for the ‘951 Patent on May 5, 2003; (2) mailing the reexamination request for the ‘319 Patent on May 5, 2003; (3) allegedly mailing the motion to stay on May 5, 2003; (4) mailing allegedly fraudulent papers to the federal district court for the Southern District of California on May 6, 2003; and (5) mailing allegedly fraudulent papers to the federal district court for the Southern District of California on May 16, 2003.⁵ However, these five acts committed during a 12 day period in May 2003 do not represent a pattern of continuous racketeering activity. *Grimmett*, 75 F.3d at 512. Recognizing this, Plaintiffs also allege that “[t]he Patents are under a continuing threat of a similar fraud being perpetrated, given that patent laws and the USPTO rules and regula-

⁵ The sixth predicate act consists of the posting of allegedly fraudulent statement on the PDGF website. However, this cannot constitute a predicate act because the statements were posted by third parties, not Defendants. Moreover, Plaintiffs fail to allege with specificity what these allegedly fraudulent statement were, or when they were made. In any case, these statement were removed from the PDGF website once it was changed on March 22, 2004.

tions allow multiple requests . . . , and given that Defendants through PGDF have repeatedly made statements that their goal is to put Plaintiffs out of business.” Complaint, ¶ 141. However, these allegations fail to demonstrate a “threat of continuity.” *H.J., Inc.*, 492 U.S. at 241-42. Plaintiffs cannot use the reexamination statutes, which allow “[a]ny person at any time” to file a reexamination request, to transform Defendants’ two reexamination requests in May 2003 into an open-ended pattern of racketeering activity. In addition, Plaintiffs cannot allege that Defendants have represented any party adverse to Plaintiffs in a patent lawsuit in the past five years, or that the alleged undated, unspecific statements made by PGDF have ever been acted on (or, allege facts indicating that they may be). Therefore, Plaintiffs have failed to allege a sufficient pattern of racketeering injury.

3. Plaintiffs’ RICO claim fails to allege that the RICO violation proximately caused Plaintiffs’ injuries.

Moreover, Plaintiffs’ RICO claim must be dismissed because Plaintiffs have failed to allege that Defendants’ purported RICO violation proximately caused their injuries. *See, Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 265-66 (1992); *see, also, Anza v. Ideal Steel Supply Corp.*, 547 U.S. 451, 456-57 (2006). Proximate cause requires “some direct relation between the injury asserted and the injurious conduct alleged.” *Id.*

In this case, the PTO’s duty to conduct an independent investigation into the merits of Defendants’ reexamination requests negates proximate cause. *See*, 35 U.S.C. § 303(a) (“the Director [of the PTO] will determine whether a substantial new question of

patentability affecting any claim of the patent concerned is raised by the request with or without consideration of other patents or printed publications.”). Reexamination is ordered only in those cases where a substantial new question of patentability is raised, which protects patentees from having to respond to, or participate in, unjustified reexaminations. *See*, Manual of Patent Examining Procedure (8th ed. Aug. 2001, rev. July 2008) (“MPEP”) § 2244. Therefore, the PTO’s decision, after its preliminary investigation, resulted in an “independent determination.” *See, Patlex Corp., v. Mossignhoff*, 771 F.2d 480, 485 (Fed. Cir. 1985) (finding that the PTO bears the heavy responsibility of “making independent determinations” into whether there is a substantial new question of patentability); *see, also*, MPEP, § 2210 (“After the request for reexamination . . . is received in the Office, no abandonment, withdrawal, or striking of the request is possible, regardless of who requests the same.”). Similarly, the stipulation to stay the proceedings and the Covenant Not to Sue and Release Agreement—both of which were signed by Plaintiffs—also negate proximate cause. Plaintiffs cannot allege that they were harmed by Defendants because of documents Plaintiffs voluntarily signed, even if they now regret their decision to sign those documents.

4. Plaintiffs’ RICO claim does not allege the type of organized criminal activity RICO was designed to remedy.

Furthermore, Plaintiffs’ RICO claim must be dismissed because the Defendants’ alleged conduct does not rise to the level of organized criminal activity that RICO was designed to remedy. For attorney conduct to give rise to RICO liability, the

attorneys must go “well beyond their capacities as legal representatives.” *Morrow v. Blessing*, 2004 WL 2223311, *4-*5 (E.D. Pa. Sept. 29, 2004) (finding that attaching allegedly false letters to legal documents in state court proceedings “by a lawyer in the context of representing clients in litigation simply cannot constitute mail fraud under RICO and, therefore, cannot constitute a RICO predicate act”). In fact, “a scheme or artifice to defraud under the mail or wire fraud statutes is not satisfied by merely alleging unethical conduct by a lawyer.” *Meier v. Musburger*, 588 F. Supp. 2d 883, 902 (N.D. Ill. 2008).

In this case, Plaintiffs do not allege that Defendants suborned perjury or falsified evidence; instead, Plaintiffs merely allege that Defendants breached their duty of candor to the PTO and the courts while defending their clients in actions brought by Plaintiffs. However, in *Dow Chemical Co., v. Exxon Corp.*, 30 F. Supp. 2d 673 (D. Del. 1998)—a case cited by Plaintiffs—the court found that similar alleged conduct could not support a RICO claim. *See, id.* (dismissing plaintiff’s RICO claim where plaintiff had alleged that defendant made false representations to the PTO that resulted in the PTO wrongly issuing a variety of patents and commencing a number of reissue, reexamination, and interference proceedings, which allegedly damaged plaintiff through lost sales and opportunities to license its patent). In dismissing the RICO claim, the court found that the plaintiff’s losses “do not stem directly from [defendant’s] alleged misrepresentations to the PTO,” but, instead, those losses “result from the intervening acts of the PTO as well as [plaintiff’s] customers and business affiliates.” *Id.* at 695. The court also found that the PTO has “discretion whether or not to grant patent property rights and declare interferences,” and that “customers

and business affiliates can choose whether or not to pursue business opportunities” with plaintiff. *Id.* The same is true of the reexamination proceedings and the purported impact on Plaintiff’s ability to enforce or license their patents in this action. *See, e.g., Rothman v. Target Corp.*, 556 F.3d 1310, 1329 (Fed. Cir. 2009) (“this court recognizes that the Patent Act gives the examiner the discretion to reject or accept an applicant’s arguments based on the examiner’s own conclusions regarding the prosecution record.”); *Young v. Lumenis, Inc.*, 492 F.3d 1336, 1348 (Fed. Cir. 2007).

Accordingly, for all the foregoing reasons, Plaintiff’s RICO claim must be DISMISSED without leave to amend.

B. Plaintiffs’ Malicious Prosecution Claim Must Be Dismissed.

1. Plaintiffs’ malicious prosecution claim is preempted.

Plaintiffs’ malicious prosecution claim must be dismissed because it is preempted under federal law. In *Buckman*, the Supreme Court found that “[p]olicing fraud against federal agencies is hardly a field which the States have traditionally occupied, such as to warrant a presumption against finding federal preemption of a state-law cause of action.” *Buckman Co., v. Plaintiffs’ Legal Committee*, 531 U.S. 341, 347 (2001) (internal quotation omitted); *see, also, Nathan Kimmel, Inc., v. DowElanco*, 275 F.3d 1199, 1205 (9th Cir. 2002) (“Because Kimmel’s state law claim hinges upon its contention that DowElanco committed fraud against the EPA—which is hardly a field which the States have traditionally occupied—we undertake our analysis in this case free from any presumption

against preemption.”). Moreover, as the Federal Circuit found in the context of abuse of process claims, “the federal administrative process of examining and issuing patents . . . is not subject to collateral review.” *Abbot Labs., v. Brennan*, 952 F.2d 1346, 1357 (Fed. Cir. 1991) (plaintiff’s abuse of process claim based on allegations that a patent applicant had backdated a request for an extension of time and falsely averred that the request had been timely made). Therefore, federal patent law preempts state law malicious prosecution claims such as the one in this case that is based on Defendants’ filing reexamination requests before the PTO because such claims are “no more than [claims alleging] bad faith misconduct before the PTO.” *Dow*, 139 F.3d at 1477. To allow such a malicious prosecution claim to go forward would be “contrary to Congress’ preemptive regulation in the area of patent law.” *Abbott*, 952 F.2d at 1357.

2. Plaintiffs’ malicious prosecution claim is barred by the statute of limitations.

In addition, even if it is not preempted, Plaintiffs’ malicious prosecution claim must be dismissed because it is time-barred by the two year statute of limitations. Cal. Code Civ. Proc. § 339(1); *Stavropoulous v. Sup. Ct.*, 141 Cal. App. 4th 190, 194 (2006). For malicious prosecution claims, as with other claims, the statute of limitations begins to run on the occurrence of the last element essential to the claim. *See, Norgart v. Upjohn Co.*, 21 Cal. 4th 383, 389 (1999). For ex parte proceedings, favorable termination is not a necessary element of a malicious prosecution claim. *See, e.g., Stolz v. Wong Communications Ltd.*, 25 Cal. App. 4th 1811, 1820 (1994). In this case, Plaintiffs’ malicious prosecution claim is not based on the

federal court proceedings, but on the patent reexamination requests made by Defendants to the PTO. These reexamination requests were *ex parte*. See, Complaint, ¶ 19 (“Defendants requested *ex parte* reexamination in May of 2003.”); Restatement (Second) of Torts § 674, comment k (“[p]roceedings are *ex parte* when relief is granted without an opportunity for the person against whom the relief sought to be heard.”). Therefore, the statute of limitations on Plaintiffs’ malicious prosecution claim commenced running in July 2003 when the reexamination requests were granted, and, according to Plaintiffs, they were damaged. See, Complaint, ¶ 23.

Defendants’ attempt to toll the statute of limitations by alleging that “due to the deceitful and misleading nature of the Fraudulent Requests, Plaintiffs were prevented from discovering or realizing the full extent of Defendant’s [*sic*] fraudulent use of the reexamination proceedings for improper purposes until approximately three years after the Fraudulent Requests were filed” (Complaint, ¶ 83), is unpersuasive because Plaintiffs received copies of the reexamination requests when they were filed in May 2003, and, based on the reexamination requests, Plaintiffs agreed to stay the cases pending in the federal district court for the Southern District of California in a stipulation signed by Plaintiffs’ counsel on June 2, 2003. Therefore, Plaintiffs were fully aware of the reexamination requests from almost the moment they were filed. In addition, Plaintiffs’ argument that the statute of limitations should not begin to run until the conclusion of the reexamination proceedings in 2007 is also unpersuasive. The reexaminations themselves are separate proceedings independently conducted by the PTO without the involvement or participation of Defendants. Thus, although Defendants were respon-

sible for initiating the request for reexamination of the '319 Patent and '915 Patent, Defendants involvement terminated when the PTO independently decided to grant those requests and reexamine the patents. Moreover, Plaintiffs themselves admit that they were immediately harmed by the PTO's decision to grant the reexamination requests. Specifically, Plaintiffs allege that as soon as the PTO granted the reexamination requests, they sustained damage to their business reputation, and incurred expenses and attorneys' fees in defending their patents in the reexamination proceedings. In addition, Plaintiffs admit that the PTO's decision to reexamine the '319 Patent and '915 Patent created a cloud over the validity of their patents, which substantially interfered with their ability to continue their patent enforcement program. *See*, Complaint, ¶¶ 27, 70, 96-99. Therefore, the statute of limitations began to run on Plaintiffs' malicious prosecution claim in July 2003, and, thus, that claim is time-barred.

3. Plaintiffs' malicious prosecution claim cannot survive the independent investigation doctrine.

Moreover, Plaintiffs' malicious prosecution claim also must be dismissed because of the independent investigation doctrine. A party may not sue for malicious prosecution where the proceeding at issue was initiated after an independent investigation of the defendant's charges by the responsible authorities. *See, Werner v. Hearst Publ., Inc.*, 65 Cal. App. 2d 667, 672 (1944) (affirming dismissal of malicious prosecution claim on demurrer where plaintiff had claimed that defendants, without probable cause and with malice, instigated disbarment proceedings against him before the State Bar by sending a letter to its

special investigator because there was no allegation that the State Bar had not performed the prescribed independent investigation). Moreover, “[a]bsent an allegation in [the] complaint that an investigation did not in fact occur, we must presume as did *Werner*, that one did occur.” *Stanwyck v. Horne*, 146 Cal. App. 3d 450, 459 (1983). In this case, Plaintiffs allege only that “[i]n reliance on the deceptive mischaracterization of alleged pieces of prior art submitted by Defendants in their Fraudulent Requests for reexamination, the USPTO did grant the Requests.” Complaint, ¶ 30. As in *Werner*, these allegations are insufficient to establish that the PTO did not rely on its own independent investigation in deciding to institute the formal reexamination proceedings. *Werner*, 65 Cal. App. 2d at 672. In their Opposition, Plaintiffs argue that “no independent investigation . . . was conducted during the initial review of the Fraudulent Requests.” Opposition, p. 6. However, Plaintiffs have not and cannot allege any facts to support this argument because PTO rules bar patent examiners from discussing the review process. MPEP § 1701.01. Instead, Plaintiffs simply speculate that an independent investigation must not have been conducted because the PTO apparently merely relied on Defendants’ duty of candor. However, such speculation is insufficient under *Werner and Twombly*. See, *Twombly*, 550 U.S. 544 (2007) (holding that factual allegations must rise above the speculative level).

Accordingly, for all the foregoing reasons, Plaintiff’s malicious prosecution claim is DISMISSED without leave to amend.

C. Plaintiffs' Interference with Prospective Economic Advantage Claim Must Be Dismissed.

1. Plaintiffs' interference with prospective economic advantage claim is barred by the statute of limitations.

Plaintiffs' interference with prospective economic advantage claim must be dismissed because it is time-barred by the two-year statute of limitations. Cal. Code Civ. Proc. § 339(1); *see, also, Knoell v. Petrovich*, 76 Cal. App. 4th 164, 168 (1999). As with Plaintiff's malicious prosecution claim, the statute of limitations begins to run upon the occurrence of the last element essential to the claim, which, in this case, occurred in July 2003 when the reexamination requests were granted. *See, Sole Energy Co., v. Petrominerals Corp.*, 128 Cal. App. 4th 212, 241 (2005). Plaintiffs allege that they suffered economic harm when their patent enforcement program, which began in 2002, was purportedly interfered with in July 2003 when the PTO granted the reexamination requests. *See, Complaint*, ¶¶ 27, 70, 96-99. Plaintiffs argue that their interference with prospective economic advantage claim did not accrue until the reexamination proceedings ended on July 17, 2007. However, once the reexamination requests were granted, Defendants had no right to participate and did not participate in the reexamination process. *See, 37 C.F.R. § 1.550(g)*. Therefore, as discussed with respect to Plaintiffs' malicious prosecution claims, Plaintiffs' attempts to toll the statute of limitations are unpersuasive.

2. Plaintiffs' interference with prospective economic advantage claim is subject to absolute immunity under California Civil Code, section 47(b).

In addition, even if Plaintiffs' interference with prospective economic advantage claim is not barred by the statute of limitations, it must be dismissed because California Civil Code, section 47(b) provides immunity for Defendants' actions. *Rothman v. Jackson*, 49 Cal. App. 4th 1134, 1140 (1996) (holding that only malicious prosecution claims are exempt from section 47(b)); *see, also, Picton v. Anderson Union High School District*, 50 Cal. App. 4th 726, 737 (1996) ("The phrase 'in any other official proceeding authorized by law' embraced in section 47, subdivision 2 [now section 47(b)] has been interpreted to encompass those proceedings which resemble judicial and legislative proceedings, such as transactions of administrative boards and quasi-judicial and quasi-legislative proceedings."). As the California Supreme Court recently explained, "[t]he usual formulation is that the [litigation] privilege applies to any communication (1) made in judicial or quasi-judicial proceedings; (2) by litigants or other participants authorized by law; (3) to achieve the objects of the litigation; and (4) that have some connection or logical relation to the action." *Rusheen v. Cohen*, 37 Cal. 4th 1048, 1057 (2006).

In this case, the litigation privilege clearly applies to Defendants' requests for reexamination of the '319 Patent and '915 Patent. First, the reexamination proceedings in the PTO are quasi-judicial proceedings because patent examiners have been found to be quasi-judicial officials that exercise quasi-judicial functions in their decisions regarding patentability. *See, e.g., United States v. American Bell Tel. Co.*, 128

U.S. 315, 363 (1888) (“The patent . . . is the result of a course of proceeding, *quasi* judicial in its character.”); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 986 (Fed. Cir. 1995) (“Patent applications, unlike contracts, are reviewed by patent examiners, quasi-judicial officials trained in the law and presumed to have some expertise in interpreting the [prior art] reference . . .”) (internal quotation omitted). Second, Defendants were authorized by law to file the reexamination requests, because Section 302 of the Patent Act allows “[a]ny person at any time” to file a reexamination request. Third, Defendants filed the requests for reexamination to achieve the object of having the ‘319 Patent and ‘915 Patent reexamined, and that reexamination was also important to Defendants’ defense of their clients in the patent litigation brought by Plaintiffs. Fourth, the reexamination request was logically related to both Defendants’ objectives of having the ‘319 Patent and ‘915 Patent reexamined and defending their clients in the patent litigation.⁶ Therefore, because all four factors of the litigation privilege are met, Defendants’ filing of the reexamination requests is absolutely privileged.

⁶ Plaintiffs argument that “federal courts do not apply state court privileges” is simply incorrect. *See, e.g., Dealtrack, Inc., v. Huber*, 460 F.Supp. 2d 1177, 1181 (C.D. Cal. 2006) (striking libel claim because statement was protected by litigation privilege); *Visto Corp., v. Sproqit Techs., Inc.*, 360 F.Supp. 2d 1064, 1069 (N.D. Cal. 2005) (finding that litigation privilege could apply to counterclaims for interference with prospective economic advantage and defamation).

3. Plaintiffs' interference with prospective economic advantage claim fails to state a claim upon which relief can be given.

Moreover, even if Plaintiffs' interference with prospective economic advantage claim was not time-barred by the statute of limitations and subject to the litigation privilege, Plaintiffs would still not be able to state a claim for interference with prospective economic advantage. In *Pacific Gas*, the court found that "the only common law tort claim that treats the instigation or bringing of a lawsuit as an actionable injury is the action of malicious prosecution. *Pacific Gas & Electric Co., v. Bear Stearns*, 50 Cal. 3d 1118, 1131 (1990). The court went on to recognize that "[o]ther jurisdictions have perceived the same danger in allowing a petition for judicial or administrative relief to be the basis for a claim of interference with contract or prospective economic advantage." *Id.* Therefore, in this case, Plaintiffs are limited to, at most, a malicious prosecution claim, and cannot attempt to transform a malicious prosecution claim into an interference with prospective economic advantage claim.

Accordingly, for all the foregoing reasons, Plaintiffs' claim for interference with prospective economic advantage is DISMISSED without leave to amend.

D. Plaintiffs' Fraud Claim Must Be Dismissed.

1. Plaintiffs' fraud claim is preempted.

Plaintiffs' fraud claim must be dismissed because it is preempted by federal law. For the same reasons discussed above with respect to Plaintiffs' malicious prosecution claim, federal patent law preempts Plaintiffs' fraud claim based on Defendants' filing reexamination requests before the PTO because such

claims are “no more than [claims alleging] bad faith misconduct before the PTO.” *Dow*, 139 F.3d at 1477.

2. Plaintiffs’ fraud claim is barred by the statute of limitations.

In addition, even if Plaintiffs’ fraud claim is not preempted, Plaintiffs’ fraud claim must be dismissed because it is time-barred by the three year statute of limitations. Cal. Code Civ. Proc. § 338(d); *E-Fab, Inc., v. Accountants, Inc. Servs.*, 153 Cal. App. 4th 1308, 1316 (2007) (“A cause of action for fraud or mistake is governed by a three-year statute of limitations.”). “The elements of fraud, which give rise to the tort action for deceit, are (1) misrepresentation, (2) with knowledge of its falsity, (3) with the intent to induce another’s reliance on the misrepresentation, (4) justifiable reliance, and (5) resulting damage.” *Conroy v. Regents of Univ. Of Cal.*, 45 Cal. 4th 1244, 1255 (2009). According to Plaintiffs’ Complaint, the first three of these elements occurred on May 5, 2003, when Defendants’ filed the reexamination requests. The last two elements occurred in July 2003, when the PTO granted the reexamination requests. Therefore, Plaintiffs’ fraud cause of action accrued more than three years before the filing of their Complaint in this action. In addition, Plaintiffs’ argument that the statute of limitations should be tolled because the fraud was concealed is not persuasive. As discussed above, Plaintiffs were provided with copies of Defendants’ filings with the PTO and the federal district court for the Southern District of California, as well as the PTO’s Notices and the federal district court’s orders. Thus, any delay in discovering the fraud was solely the result of Plaintiffs’ own negligence, which is not a basis for tolling the statute of limitations.

3. Plaintiffs' fraud claim is subject to absolute immunity under California Civil Code, section 47(b).

Moreover, even if Plaintiffs' fraud claim is not preempted or barred by the statute of limitations, Plaintiffs' fraud claim must be dismissed because the California litigation privilege provides immunity. For the same reasons discussed above with respect to Plaintiffs' interference with prospective economic advantage claim, Section 47(b) of the California Civil Code applies and gives absolute immunity to Defendants' filing of the reexamination requests.

Accordingly, for all the foregoing reasons, Plaintiffs' fraud claim must be DISMISSED without leave to amend.

IV. Conclusion

For all the foregoing reasons, Defendants' Motion to Dismiss is GRANTED without leave to amend. Accordingly, Plaintiffs' action is DISMISSED with prejudice. Defendants' Motion to Strike is DENIED as moot.

IT IS SO ORDERED.

APPENDIX D

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed 11/24/09]

Case No. CV 09-5157-JFW (AGR_x)

LAWRENCE B. LOCKWOOD, *et al.*,
Plaintiff,

v.

SHEPPARD, MULLIN, RICHTER
& HAMPTON, LLP, *et al.*,
Defendant.

JUDGMENT

The Court, having granted the Defendants' motion to dismiss without leave to amend for the reasons set forth in the Court's Minute Order dated November 24, 2009,

IT IS NOW, THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED, that judgment is entered in this action as follows:

1. Plaintiffs Lawrence B. Lockwood and PanIP, LLC shall recover nothing from any of the named Defendants;

2. Defendants Sheppard, Mullin, Richter & Hampton, LLP, Jonathan Hangartner, and Steve P. Hassid shall have judgment in their favor on Plaintiffs' entire action; and

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3. Defendants shall recover from Plaintiffs their costs of suit in the sum of \$_____.

The Clerk is ordered to enter this Judgment.

Dated: November 24, 2009

/s/ John F. Walter
JOHN F. WALTER
UNITED STATES DISTRICT JUDGE

APPENDIX E

**United States Constitution, Article VI, Clause 2
Supremacy Clause**

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

APPENDIX F**28 U.S.C. § 1338 Patents, Plant Variety Protection, Copyrights, Mask Works, Designs, Trademarks, and Unfair Competition**

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.

(c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

35 U.S.C. § 32 Suspension or Exclusion from Practice

The Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office.

The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded.

35 U.S.C. § 301 Citation of Prior Art

Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

35 U.S.C. § 302 Request for Reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim

for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

35 U.S.C. § 303 Determination of Issue by Director

(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302 of this title.

35 U.S.C. § 304 Reexamination Order by Director

If, in a determination made under the provisions of subsection 303(a) of this title, the Director finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

35 U.S.C. § 305 Conduct of Reexamination Proceedings

After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision

adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office.

35 U.S.C. § 306 Appeal

The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

35 U.S.C. § 307 Certificate of Patentability, Unpatentability, and Claim Cancellation

(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United

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States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.